

IENE Company Profile



Overview

Founded in 1973, Bulgartransgaz EAD is a combined operator performing licensed activities of natural gas transmission and storage. The Company pursues its policy in a transparent and responsible manner and aims at ensuring secure conditions and sustainable development of the natural gas market in the country and the region in compliance with the principles of equality and transparency. As part of the common European gas network Bulgartransgaz EAD is guided by the requirements of the Third Energy Liberalisation Package, the relevant European Regulations and Bulgarian legislation.

The Company is an owner and operator of:

- The gas transmission network for natural gas transmission in the territory of Bulgaria. Bulgartransgaz's network has interconnections with all neighboring countries: Romania, Turkey, Greece, North Macedonia and Serbia.
- The underground gas storage in Chiren (Chiren UGS). Its major function is natural gas storage for covering the seasonal fluctuations in consumption and providing an emergency reserve in case of unforeseen and force majeure situations.

The "IENE Company Profile" is an occasional communication published by the Institute of Energy for SE Europe in its effort to broaden the dialogue on current energy issues of regional and global interest. A Company Profile, as the name implies, focuses on a particular company engaged in one or more areas of activity in the broad energy field. The scope of the "Company Profile" is to focus on the achievements and plans of prominent energy companies and organizations which through their work paradigm could provide inspiration for leadership, strategy and innovation. Material used for a Company Profile may come from published sources but also from original input contributed by IENE's staff and research associates.

Mission, Vision and Goals

Mission

Bulgartransgaz EAD's mission is to provide natural gas transmission according to the interests of the state and society, to ensure secure conditions and gas market sustainable development in the country and the region, to actively support the liberalization process in the spirit of the common European energy policy.

The mission of the combined national gas operator follows both the national energy legislation, and by European standards and the Third Energy Liberalisation Package.

Vision

The vision for Bulgartransgaz EAD's development is related to the Company recognition as a modern and responsible gas transmission operator, actively working to maintain and expand reliable gas infrastructure on the territory of the Republic of Bulgaria, with a key role in the development of the projects of regional importance in the sector and with significant contribution to achievement of the objectives for creating a single, common European, free and competitive gas market.

The vision is also related to the environmentally sound development of all projects and activities, as well as the social and economic stability of the regions where the Company operates. It is also related to achievement of the Company's key objectives.

Goals

With regard to its duties and responsibilities, Bulgartransgaz EAD defined the following strategic objectives based on the notion of a modern, efficient and liberalized gas market:

- Ensuring the security and reliability of the gas transmission system and the Underground Gas Storage (UGS) Chiren
- Reliable and efficient operation of the gas transmission system under the conditions of a liberalized gas market
- Providing alternative routes and entry/exit cross-border points enabling natural gas supply from various sources
- Construction of new gas branches for gasification of new regions and natural gas consumers

- Optimization of the activities, business processes, rules and procedures for providing easily accessible and quality services to its customers

Map: Gas infrastructure of the Republic of Bulgaria



Sustainable Development

Long-term Planning

In the development of its core business activities - natural gas transmission and storage, Bulgartransgaz EAD is guided by the long-term vision and strict planning supporting the sustainable development of the whole sector in the country, the region and Europe.

In accordance with requirements of the European and national legislation, Bulgartransgaz EAD annually prepares a ten-year plan for the development of the natural gas transmission and storage infrastructure. The document presents the investments planned in short-term (three-year) and long-term (ten-year) period, a schedule for implementation of investment projects and forecasts for utilization of the gas infrastructure capacity. The latest Ten-year network development plan prepared by the Company is for the period 2022-2031¹. The national Ten-year plans developed by the transmission system operators are part of the Regional Development Plan of the common European gas transmission network. It is

¹ <https://www.bulgartransgaz.bg/en/pages/desetgodishni-planove-za-razvitie-na-mrežite-na-bulgartransg-142.html>

consistent with the main European, regional and national priorities, namely increasing the security of natural gas supply, ensuring diversification of natural gas supply sources and routes, permanent establishment of sustainable, liberalized and interconnected gas market, and it is in line with climate and environmental policies of Europe.

The construction and commissioning of new gas interconnections with neighbouring countries are planned as well as the commissioning of the LNG terminal near Alexandroupolis.

Safety

The investments planned and the long-term planning of Bulgartransgaz EAD activities are directly related to the provision of safe and efficiently developing gas infrastructure. This is Bulgartransgaz EAD's basic obligation and responsibility and a guarantee for the reliability and quality of the natural gas transmission and storage services in the country.

In 2014, Bulgartransgaz EAD implemented Occupational Health and Safety Management System, which was certified for compliance with the standard BS OHSAS 18001:2007. In 2020, the management system migrated and received recertification for compliance with the requirements of the standard ISO 45001:2018.

By ensuring significant transmission capacities and reverse flow capabilities, Bulgartransgaz EAD makes available to Network users significant natural gas quantities from alternative sources to local market participants and to neighbouring countries.

Environment

The care for ensuring environmental protection, according to EU directives and the national legislation, is one of Bulgartransgaz EAD's priority tasks. In this context, one of the main objectives of the modernization of the Company's gas transmission system is reduction of the harmful air pollutant emissions.

Since 2016, Bulgartransgaz EAD has implemented and certified Environmental Management System in line with the requirements of the standard ISO 14001:2015 in proof of its commitment to all aspects of environmental protection.

Human Resources Development

Bulgartransgaz EAD pays special attention to human resources policies. Employees' specialized knowledge and experience and their motivation are key factors

determining the Company's long-term and successful operation. As a contemporary company, Bulgartransgaz EAD provides its employees with opportunities for continuous improvement of qualification, education and practical skills expansion.

Bulgartransgaz EAD actively collaborates with universities whose academic profile corresponds to the Company's activities. The opportunity for traineeships and subsequent employability of students is a traditional and long-standing practice that has proven its efficiency. Company's experts share their practical experience at forums and lectures, but also as mentors to students preparing specializations.

International Cooperation

In a dynamic and constantly evolving European energy sector, Bulgartransgaz EAD pursues a policy of active cooperation with its European and international partners. Following the principles of achieving a single common European energy market, the Company plays key and active role in maintaining and developing the dialogue with the neighbouring countries and has also established relationships and exchange of best practices with all transmission system operators at Central, Eastern and Southeastern European level.

Long-term and successful collaboration and sharing a common vision bind together Bulgartransgaz EAD and the transmission system operators of the neighbouring countries. The traditionally good relations between the countries are the basis for the successful operation of the interconnected gas transmission networks and the implementation of joint projects with a significant contribution to increasing the diversification and security of supplies in the region.

Bulgartransgaz EAD offers in a transparent and non-discriminatory manner natural gas transmission services to its partners from home and abroad from the entry points of the gas transmission network to exit points on the territory of Bulgaria and at the borders with the neighboring countries.

In 2021, Bulgartransgaz EAD joined the European Hydrogen Backbone initiative, which consists of over 31 transmission system operators. The initiative aims to accelerate Europe's decarbonisation journey by defining the critical role of hydrogen infrastructure – based on existing and new pipelines – in enabling the development of a competitive, liquid, pan-European renewable and low-carbon hydrogen market.

Bulgartransgaz EAD among the Gastrade's shareholders for the construction of the Alexandroupolis FSRU in Greece

The Final Investment Decision (FID) for the construction of the Independent Natural Gas System (INGS) of Alexandroupolis was taken in late January 2022 by the shareholders of Gastrade SA, i.e. the Founding Shareholder, Mrs. Elmina Copelouzou, GasLog Cyprus Investments Ltd, DEPA Commercial SA, Bulgartransgaz EAD and DESFA SA each with 20%. The FID is the last and most important milestone, before entering the project's construction phase.

The construction of the FSRU near Alexandroupolis aims to provide new gas quantities in order to supply the regional markets in SE Europe. Companies from the United States, Qatar and Israel are expected to be the main gas suppliers to the FSRU. Thus, the project will contribute to gas supply sources' and routes' diversification as well as to promote competition to the benefit of end-customers.

"The participation of the Bulgarian state through Bulgartransgaz, as a shareholder in the project, will contribute to strengthening natural gas market in the region of SE Europe," emphasised Executive Director, Vladimir Malinov. "Access to alternative natural gas supplies, also from the United States, Egypt, Qatar and others, to Bulgaria and the neighbouring countries, will ensure competitive prices in the natural gas market. The growing liquidity through access to LNG will accelerate the process of decarbonisation in Bulgaria."

The expected date of commercial operation of the FSRU is January 1, 2024, with its contracted regasification capacity already reaching up to 50% of its technical capacity of 5.5 billion cubic metres (bcm) per year. The FSRU will be connected to the National Natural Gas Transmission System of Greece by a 28-km pipeline and from there to exit points to adjacent TSOs and to end consumers in Bulgaria and the wider region, from Romania, Serbia and North Macedonia, all the way to Moldova and Ukraine.

Balkan Gas Hub

Bulgartransgaz owns 100% of the shares of Balkan Gas Hub EAD, established in 2019. Balkan Gas Hub EAD's subject of activity involves the establishment and operation of electronic platform providing conditions for conclusion of bilateral transactions and stock exchange market with physical and non-physical products – natural gas, energy products, energy carriers, energy green and white certificates, carbon emissions and others energy consumption products.

Balkan Gas Hub EAD is an internationally recognized and legitimate gas exchange in the country, acknowledged by international institutions and organizations, as well as by international market participants.

In 2021, transactions on the short-term segment increased almost 4.2 times compared to the previous year, reaching 2,476,085 MWh for the year. The number of transactions started from 230 in January 2021, reaching their highest value in September 2021, i.e. 809, whereas the average monthly value was 432. As of December 2021, the number of members reached 49, as shown in Table 1.

Table 1: Transactions on the short-term segment, 2021

2021 SPOT data													2021
	January	February	March	April	May	June	July	August	September	October	November	December	
Number of trades	230	243	182	462	550	265	276	354	809	650	391	776	5 188
Monthly traded volumes, MWh	63 858	51 114	74 061	262 265	356 449	88 677	68 760	108 945	281 819	387 218	127 793	605 126	2 476 085
Number of participants	42	42	43	43	44	46	46	47	47	48	49	49	

In 2021, the transactions on the long-term segment increased more than 3.4 times compared to the previous year, reaching 10,195,742 MWh for the year. The number of transactions started from 115 for January 2021, reaching their highest value in March 2021, i.e. 121, and the average monthly value was 108, as shown in Table 2.

Table 2: Transactions on the long-term segment, 2021

2021 LONG-TERM data													2021
	January	February	March	April	May	June	July	August	September	October	November	December	
Number of trades	115	111	121	109	107	99	100	101	102	110	109	108	1 292
Monthly traded volumes, MWh	1 156 022	876 246	948 661	839 910	866 968	741 960	490 396	522 029	533 120	1 438 152	942 760	839 518	10195742
Number of participants	42	42	43	43	44	46	46	47	47	48	49	49	

Consolidated Financial Statement

The total revenue in 2021 amounts to BGN 619,788 thousand and the net sales revenue amounts to BGN 583,976 thousand. Compared to 2020, the total amount of the revenue generated by the Group has increased by BGN 184,291 thousand (42.32%) and the net sales revenue has increased by BGN 189,361 thousand (47.99%).

Comparing the Group's total expenses reported in 2021 to 2020, an increase of BGN 108,842 thousand (30.70%) is reported, i.e. from BGN 354,505 thousand in 2020 to BGN 463,347 thousand in 2021. The operating expenses are by BGN 100,432 thousand (37.94%) higher than those reported in 2020.

The increase of the operating expenses is due to the higher "Expenses by economic elements" as well as the higher "Technological expenses". There is an increase in the cost of natural gas used for balancing and goods sold by BGN 31,742 thousand (243.70%) compared in the amount reported in 2020, amounting to BGN 13,025 thousand.

Table 1: Consolidated Statement on the Profit or Loss and Other Comprehensive Income, 2020-2021

<i>in BGN thousand</i>	Note	2021	2020
Operating income	7	575,147	386,252
Other revenue from the activity	8	8,829	8,363
Total revenues		583,976	394,615
Technological costs	9	(60,402)	(27,712)
Costs for materials	10	(6,086)	(4,687)
External services expenses	11	(12,707)	(12,521)
Expenses for depreciation and impairment of non-financial assets	15.16	(181,462)	(107,948)
Expenses for employees' remuneration	12	(73,535)	(71,966)
Recovered depreciation of financial assets	17,19,20 21,22,30	1,786	3,754
Revenues/(expenses) from impairment of inventories	18	5,654	(19,651)
Other expenses for the activity	13	(38,404)	(23,993)
Cost of natural gas used for balancing and the goods sold		(44,767)	(13,025)
Changes in the availability of finished goods and work in progress		52	(39)
Operating activity profit		174,105	116,827
Losses from investment accounted for by the equity method	5	(656)	(672)
Financial revenue	14	23,005	6,501
Financial expenses	14	(40,013)	(41,664)
Net financial revenues/(expenses)	14	(17,008)	(35,163)
Earnings before taxes		156,441	80,992
Expenses for taxes	24	(15,821)	(8,174)
Profit for the period relating to the owners of equity of the parent company		140,620	72,818
Other comprehensive income			
<i>Components that will not be later reclassified in the profit or loss:</i>			
Revaluation of property, plant and equipment	15	1,102,660	(107,717)
Revaluation of liabilities under defined benefit plans	27	(533)	(1,220)
Tax on other comprehensive income	24	(110,213)	10,894
Other comprehensive income/(loss), net of taxes		991,914	(98,043)
Total comprehensive income/(loss) for the period relating to the owners of equity of the parent company		1,132,534	(25,225)

In 2021, there is an increase in the technological expenses which amount to BGN 60,402 thousand which is by BGN 32,690 thousand (117.96%) more than the reported BGN 27,712 thousand in 2020, due on the one hand to the higher technological expenses for the natural gas transport to the borders of the Republic of Bulgaria with neighbouring countries, and on the other hand to the reported technological expenses for the natural gas transport to exit points on the territory of the country.

Table 2: Consolidated Statement of Financial Position, 2020-2021

<i>BGN thousand</i>	Note	December 31, 2021	December 31, 2020
Assets			
Property, plant and equipment	15	5,685,806	4,539,525
Intangible assets	16	5,707	5,720
Investment in jointly controlled entities	5	26,386	126
Long-term receivables	17	162	168
Long-term receivables from related entities	30	17	137
Deferred tax assets	24	6,390	7,888
Total non-current assets		5,724,468	(4,553,564)
Inventories	18	70,831	85,070
Trade and other receivables	19	10,638	127,843
Assets under contracts	19	7,719	9,080
Receivables from related entities	30	7,300	3,361
Receivables related to income taxes		2,985	889
Cash in the form of bank deposits	22	117,231	-
Cash provided as a security	21	299,203	240,997
Cash and cash equivalents	20	218,291	66,524
Total current assets		734,198	533,764
Total assets		6,458,666	5,087,328

The financial result of the Group in 2021 as a difference between revenue and expenses, is accounting profit before taxes amounting to BGN 156,441 thousand. As at 31/12/2021, the cumulated retained earnings amount to BGN 191,709 thousand, including a profit for the period in the amount of BGN 140,620 thousand.

As at 31/12/2021, the Group owns total assets amounting to BGN 6,458,666 thousand, and their amount has increased by BGN 1,371,338 thousand (26.96%) compared to the value reported as at 31/12/2020 (BGN 5,087,328 thousand). Non-current assets represent 88.63% of the total value of the Group's assets. Their value as at 31/12/2021 amounts to BGN 5,724,468 thousand which is an increase of 25.71% in the total value on the non-current assets compared to the value as at 31/12/2020 (BGN 4,553,564 thousand).

The increase in the value of non-current assets compared to those reported as at 31/12/2020 is mainly due to the higher value of “Property, plant and equipment”, as well as the reported “Investments in jointly controlled entities”.

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